

**BEFORE THE POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001**

---

**Notice of Market Dominant  
Price Adjustment**

---

**Docket No. R2013-10**

**RESPONSE OF PITNEY BOWES INC. IN OPPOSITION TO THE MOTION OF THE  
AMERICAN POSTAL WORKERS UNION, AFL-CIO TO ESTABLISH A SEPARATE  
PROCEEDING TO CONSIDER THE METERED MAIL PRICE  
(October 25, 2013)**

Pursuant to Commission Rule 3001.21(b), Pitney Bowes Inc. (Pitney Bowes) respectfully submits this response in opposition to the Motion of the American Postal Workers Union, AFL-CIO (APWU) to establish further proceedings to consider the establishment of a separate metered mail price for First-Class Mail single-piece letters.<sup>1</sup>

While Pitney Bowes is sympathetic to the concern that certain issues cannot be effectively considered and resolved within the time constraints of a normal rate adjustment proceeding, the introduction of a separate metered mail price is not one of those issues. APWU's comments allege that the Postal Service violated certain reporting provisions governing the introduction of a new workshare discount rate. *See* APWU Motion at 2. But these statutory provisions and the derivative concerns regarding the appropriate benchmark and cost avoidance estimates are not applicable. The metered mail price is not a workshare discount. Rather, it is an appropriate use of the Postal Service's pricing flexibility to encourage small and mid-sized businesses to stay in the mail and to use the mail in new ways to grow their businesses.

---

<sup>1</sup> *See* Motion of the American Postal Workers Union, AFL-CIO For Acceptance of its Initial Comments and to Establish a Schedule to Consider the Use of a New Separate Metered Mail Price in Setting Workshare Discounts for First-Class Mail (Oct. 21, 2013)(APWU Motion). Pitney Bowes does not oppose the request for late acceptance of APWU's initial comments.

Pitney Bowes has advocated for an expansive definition of “worksharing” encompassing any private sector activity that reduces the costs of the Postal Service and continues to believe that as a matter of pricing policy the Postal Service should adopt cost-based rates to ensure the economic efficiency of other rate differentials. However, under the Postal Accountability and Enhancement Act (PAEA), the term “workshare discount” is defined much more narrowly as “rate discounts provided to mailers for the presorting, prebarcoding, handling or transportation of mail, as further defined by the Postal Regulatory Commission[.]”<sup>2</sup> This definition limits the applicability of section 3622(e). The Commission has interpreted the scope of section 3622(e) to include associated activities that are an “integral aspect of the named activity that it either enables the named activity to avoid costs, or substantially alters the amount of costs that the named activity avoids.”<sup>3</sup> Conversely, section 3622(e) does not apply to other activities that reduce postal costs, but are not integrally related to one of the four enumerated activities. The metered mail price is not a discount for presorting, prebarcoding, handling, or transportation. The metered mail price is also not a discount for an activity that is “integral” to presorting, prebarcoding, handling or transportation.<sup>4</sup> Accordingly, the metered mail price is not a workshare discount and, thus, the alleged violations of section 3622(e) are inapposite.

The Commission has observed that with the exception of certain clear “out of bounds” lines including the workshare limitations of section 3622(e), the Postal Service has substantial pricing flexibility to establish new prices under the price cap.<sup>5</sup> The Postal Service exercised that

---

<sup>2</sup> 39 U.S.C. § 3622(e)(1). See Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006). The PAEA amends various sections of title 39 of the United States Code. Unless otherwise noted, section references in these comments are to sections of title 39.

<sup>3</sup> See PRC Dkt. No. RM2009-3, Order No. 536 (Sept. 14, 2010) at 9.

<sup>4</sup> This is consistent with the Commission’s long-standing view that the costs avoided associated with different sales channels and payment evidencing are not recognized as worksharing costs. See PRC Dkt. No. R2006-1, Opinion and Recommended Decision (Feb. 27, 2007), ¶¶ 5251-54 (citing R2000-1)(stamp-related costs to be associated with worksharing in the traditional sense).

<sup>5</sup> Order No. 536 at 3.

pricing flexibility by establishing a separate metered mail price in single-piece First-Class Mail. Indeed, the Commission has specifically suggested that the Postal Service has the authority to establish such a rate:

The convention of setting the rate for the metered mail Base Group equal to the single-piece letter rate is not an issue that was explored on this record. However, there does not appear to be any obvious legal barrier to the Postal Service exercising its pricing flexibility by setting the rate for the metered mail Base Group at a different level than the remainder of single-piece First-Class letters. Moreover, the relative sophistication of users of the metered mail Base Group and the capabilities of metered and IBI technology suggest that a non-integer rate for this type of mail would be more workable than for other types of single-piece First-Class Mail.<sup>6</sup>

Moreover, even assuming the Postal Service were proposing the separate metered mail rate as a workshare discount (it is not), the Postal Service could justify it under section 3622(e)(2)(A)(ii) as necessary to induce mailer behavior that furthers the economically efficient operation of the Postal Service. Providing incentives for the use of more efficient, low cost, secure distribution channels would benefit small and medium sized business mailers and the Postal Service. Targeted price incentives would help small business mailers grow mail volumes and increase the contribution of profitable First-Class Mail letters. Selling stamps across a post office retail window is expensive. The Postal Service could realize significant cost savings by encouraging small and medium sized business mailers to use more efficient payment evidencing channels (e.g., postage meters, kiosks, PC Postage, on-line stamp sales, etc.).

APWU complains that the Postal Service provides only a “limited explanation” of the avoided cost information for the metered mail price. APWU Motion at 1. As noted above, the costs avoided information is relevant only to the extent the metered mail price is a workshare discount. It is not. Furthermore, the most recent data confirm that the proposed one cent discount is well below avoided costs. In FY 2012, the unit mail processing cost for First-Class

---

<sup>6</sup> PRC Dkt. No. RM2010-13, Order No. 1320 (Apr. 20, 2012) at 11, n.22.

Mail Single-Piece Metered Letters (11.57 cents) was 2.14 cents less than the unit mail processing cost of First-Class Mail Single-Piece Letters as a whole (13.71 cents).<sup>7</sup>

APWU also raises concerns about using the metered mail price as the “Base Rate for Workshare Discounts.” APWU Motion at 1. Order 1320 established metered mail as the new presort benchmark for First-Class Mail letters.<sup>8</sup> Because metered mail is the benchmark for measuring workshare-related costs avoided within First-Class Mail letters, the metered mail price is also the logically consistent and correct benchmark for purposes of measuring the size of the workshare discount. By establishing a separate price at the metered mail benchmark, the Postal Service can measure the workshare-related costs avoided and discounts from the same reference point within First-Class Mail letters.

Finally, market dominant products are protected from excessive price increases by the CPI cap. The CPI cap applies at the class level rather than the product level; therefore the Postal Service has the pricing flexibility to apply non-uniform price increases within a class. Indeed, section 3622(b)(8) expressly permits the Postal Service to make price changes “of unequal magnitude” within a class of mail.

Establishing a separate metered mail price benefits both small and medium sized business mailers and the Postal Service. The small pricing differential benefits small and medium sized business mailers by providing an incentive to stay in the mail and to use the mail in new ways to grow their businesses. Small and medium sized business mailers will become an increasingly important customer segment as more consumers leave the mail. The Postal Service will benefit from reduced costs and increased contribution from small and medium sized business mailers that stay in the mail or increase their use of profitable First-Class Mail letters.

---

<sup>7</sup> See Docket No. ACR2012, PRC-LR-6, shp12prc.xls, “Summary (2),” cells B7 and B43.

<sup>8</sup> See Order No. 1320 at 11.

For the foregoing reasons, APWU's motion to establish a separate proceeding on the metered mail price should be denied.

Respectfully submitted:

/s/

James Pierce Myers  
Attorney at Law  
320 South West Street  
Suite 110  
Alexandria, Virginia 22314  
Telephone: (703) 627-5112  
E-Mail: jpm@piercemyers.com

Michael F. Scanlon  
K&L GATES LLP  
1601 K Street, NW  
Washington, DC 20006  
Telephone: (202) 778-9000  
Facsimile: (202) 778-9100  
E-Mail: michael.scanlon@klgates.com

Counsel to PITNEY BOWES INC.